

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0401-02
Bill No.: Perfected HB 44
Subject: Energy
Type: Original
Date: February 27, 2013

Bill Summary: This proposal relates to the regulation of water resources.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Public Service Commission Fund	\$0	(\$135,976)	(\$135,021)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$135,976)	(\$135,021)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Public Service Commission Fund	0	2 FTE	2 FTE
Total Estimated Net Effect on FTE	0	2 FTE	2 FTE

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§393.1025 - Renewable energy definitions

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** and the **Department of Natural Resources** each assume this section of the proposal would not fiscally impact their respective agencies.

House Amendment 1 - §§393.1000 and 393.1003 - Infrastructure replacement surcharges for water and sewer corporations.

According to officials from the **Department of Economic Development - Office of Public Counsel (OPC)**, this bill will create significant additional responsibilities for OPC staff, requiring the addition of 3 FTE's with specific professional expertise to address the complex legal, engineering, and financial issues that will be raised by this proposed legislation.

This proposal would expand existing statutory authority and would expand existing legislation so that at least five more service areas for major population centers could take advantage of the opportunity to adjust rates. Currently only one service area has this option. The proposed legislation also expands the definition of "Water or sewer utility plant projects" so that items are included that will raise the question of prudence on investment.

OPC states prudence audits require significantly more analysis than investment verification analysis and require both financial and engineering analysis. Expansion of eligibility for the single issue rate mechanism provided under this proposal also increases the number of rate cases, thus requiring additional resources to analyze all utility costs and process the rate case before the Public Service Commission.

This expansion results in new regulatory issues currently not addressed. The proposed legislation effectively will require additional mandatory rate cases which are necessary in order to consider all relevant factors of a utility consistent with case law on setting rates.

Oversight assumes the language in this amendment matches more closely the language in HCS for HB 198 (0818-02) from this session. In that response, PSC requested 2 FTEs. Oversight will assume 2 FTEs are needed for PSC to implement the provisions of this amendment.

Oversight assumes the changes in rate schedule petitions do not begin until August 28, 2014 (FY

ASSUMPTION (continued)

2015). Oversight will assign fiscal impact for the full year of 2015 to allow for the addition and training of the additional staff needed to implement this proposal.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Metropolitan St. Louis Sewer District (MSD)** assumed no fiscal impact to their district since the Public Service Commission does not govern their rates because MSD is a non-profit political subdivision and does not operate for gain.

Officials from the **Department of Natural Resources, Department of Revenue, Administrative Hearing Commission, Department of Economic Development - Public Service Commission, and Missouri Tax Commission** each assume the proposal would not fiscally impact their respective agencies.

Oversight assumes this proposal could result in unknown rate increases for state government, local political subdivisions, and small businesses.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
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GENERAL REVENUE

Costs - §§393.1000 and 393.1003 State Agencies - Increased water and sewer rates	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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PUBLIC SERVICE COMMISSION FUND

Costs - §§393.1000 and 393.1003 - Office of Public Counsel (OPC)

Personal Service	\$0	(\$88,682)	(\$89,569)
Benefits	\$0	(\$45,002)	(\$45,452)
Equipment and Expense	<u>\$0</u>	<u>(\$2,292)</u>	<u>\$0</u>
Total Costs - OPC	<u>\$0</u>	<u>(\$135,976)</u>	<u>(\$135,021)</u>

FTE Change - OPC	0 FTE	2 FTE	2 FTE
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ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION	<u>\$0</u>	<u>(\$135,976)</u>	<u>(\$135,021)</u>
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Estimated Net FTE Change for Public Service Commission Fund	0 FTE	2 FTE	2 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2014	FY 2015	FY 2016
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LOCAL POLITICAL SUBDIVISIONS

Costs - §§393.1000 and 393.1003 - Local Political Subdivisions - Increased water and sewer costs	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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LMD:LR:OD

FISCAL IMPACT - Small Business

This proposal could result in an increase in water and sewer costs to operate a small business.

FISCAL DESCRIPTION

House Amendment 1 - §§393.1000 and 393.1003 - Infrastructure replacement surcharges for water and sewer corporations.


This proposed legislation changes the laws regarding infrastructure replacement surcharges for water and sewer corporations. In its main provisions, the proposal:

- (1) Revises the definition for "eligible infrastructure system replacements" to include energy efficiency projects that are in service, used, and useful; do not increase revenues by connecting the infrastructure replacements to new customers; and were not included in the water or sewer corporation's rate base in its most recent rate case and defines "energy efficiency" as measures that reduce the amount of energy required to achieve a given end result. Eligible projects for sewer corporations are also specified;
- (2) Adds service lines, meters, collecting sewers, lift stations, and pressure pumps that have worn out, are in a deteriorated condition, or replaced as part of an order issued by the Missouri Public Service Commission, as well as energy efficiency projects, to the list of projects that are allowable water or sewer utility plant projects; and
- (3) Allows, beginning August 28, 2014, all water corporations and sewer corporations to file a petition and proposed rate schedules with the commission to establish or change its infrastructure system replacement surcharge rate schedules that will allow for the adjustment of the corporation's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements. Small water and sewer companies with less than 8,000 customers may file once their investments reach \$10,000. The current requirement of a \$1 million investment for larger water or sewer corporations to file a petition with the commission remains. Currently, only water corporations in St. Louis County are allowed to file a petition and proposed rate schedules.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Missouri Public Service Commission
Office of Public Counsel
Office of Secretary of State
Administrative Rules Division
Administrative Hearing Commission
Department of Revenue
Missouri State Tax Commission
Department of Natural Resources
Metropolitan St. Louis Sewer District



Ross Strope
Acting Director
February 27, 2013